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The Magazine for Vehicle Management

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Wednesday
Weather

How do fleet managers determine car prices?

NAFA's Annual Used Car Marketing Survey has the answers.

report begins on pg 8

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NAFA EXCLUSIVE

Annual Used Car Marketing Survey Results

Results from NAFA's 1987 Used Car Marketing Survey show U.S. commercial fleets are keeping their cars longer and driving them more miles than last year. In fact, both U.S. public utility and Canadian fleets showed they too are driving their vehicles more miles before disposing them. Only government fleets said they are keeping their vehicles less time and less mileage than last year.

This year's survey had responses from 280 U.S. commercial fleets, 50 U.S. government fleets, 27 U.S. public utilities fleets and 49 Canadian fleets for a total response of 406. These fleets control 102,263 company-owned and 102,676 leased vehicles for a total of 204,939 vehicles. (U.S. fleets totalled 97,785 company-owned and 93,116 leased vehicles; Canadian fleets had 4,478 company-owned and 9,560 leased vehicles.)

In 1985, U.S. commercial fleets kept their vehicles an average of 30.2 months/61,029 miles and this year most of their vehicles sold were 31 months old and had been driven 64,356 miles. U.S. public utilities fleets, despite keeping their cars five less months than last year, still keep cars the longest at 61 months. This group said they increased their mileage before disposal by nearly 3,000 per car to an average of 81,362. Canadian fleets increased the mileage driven on their cars by more than 16,000 kilometers (to 94,478 km) before they were sold but stayed in the same 32 month time frame as last year. U.S. government fleets, however, kept their cars 61 months - five months less than last year - and sold them with 87,231 miles - 4,448 less than last year.

Interestingly, the vast majority of respondents said they plan no major changes in the near future in the length of time or number of miles their cars are driven before being sold. Of the approximate 20 percent planning major changes, most said they will decrease the number of months they keep cars while nearly an equal number said they will increase the number of months they keep cars.

Survey Highlights

- In 1986, U.S. commercial fleets kept their vehicles in service an average of 31 months and drove them an average of 64,356 miles. This compares to 30.2 months/61,029 miles in 1985.
- Public Utility fleets keep their vehicles for the longest period of time — 61 months.
- About 80 percent of all survey respondents said they plan no major changes in the future concerning length of time or number of miles their vehicles are driven before being sold.
- Auto auctions and wholesalers continue to be the most popular method that U.S. commercial fleets use to dispose of their vehicles.

Replacement Policies

Average 1986 replacement policies for each group were, according to results: U.S. commercial fleets - 37 months/66,425 miles; U.S. government fleets - 58 months/78,668 miles; U.S. public utilities fleets - 67 months/80,158 miles; Canadian fleets - 36 months/103,714 kilometers.

For 1987, these groups said their average replacement policies would be: U.S. commercial fleets - 40 months/65,808 miles; U.S. government fleets - 58 months/77,820 miles; U.S. public utilities fleets - 65 months/80,176 miles; Canadian fleets - 36 months/94,463 kilometers.

Replacement policies for 1988 were projected to be: U.S. commercial fleets - 45 months/64,740 miles; U.S. government fleets - 49 months/70,793 miles; U.S. public utilities fleets - 100 months/79,867 miles; Canadian fleets - 35 months/90,000 kilometers.

Vehicles Sold

U.S. commercial fleets sold 52,417 vehicles last year; 12,460 were 1983 models, 23,404 were 1984s, 11,716 were 1985s and 4,837 were 1986s. U.S. government fleets sold 1,486 1983s, 679 1984s, 123 1985s and 12 1986s for a total of 2,300. U.S. public utilities sold 652 cars, of which 326 were 1983 models, 207 were 1984 models, 86 were 1985 models and 33 were 1986 models. Canadian fleets sold 863 1983 models, 1,430 1984 models, 437 1985 models and 66 1986 models for a total of 2,796.

Auto auctions and wholesalers continue to be the major market in which U.S. commercial fleets dispose of their vehicles, with sales to employees second. An equal amount of vehicles were sold to new and used car dealers or salvaged in this fleet category. U.S. governments sell their vehicles almost entirely through auto auctions or wholesalers with few or no sales to employees. U.S. public utilities fleets ride the auto auction/wholesaler tide with the next largest number of vehicles sold to employees. Canadian fleets are almost split down the middle between selling cars to employees and going through auctions or wholesalers.

Employee Sales

Since so many cars are sold to employees, it is necessary for someone to determine the price of the vehicles. In 75.9 percent of U.S. commercial, 64.3 percent of U.S. public utilities and 77.3 percent of Canadian fleets, this responsibility belongs to the fleet manager. (Data for U.S. government was insufficient to calculate since so few government fleets sell to their employees.)

When determining the price of the vehicle sold, 46.3 percent of U.S. commercial fleets use the Automotive Market Report; 50 percent of U.S. public utilities fleets use the NADA wholesale price, and 57.1 percent of Canadian fleets use the Black Book value. (Again, data for U.S. government fleets was insufficient to calculate since so few sell to their employees.)

Used Car Marketing Survey
Response Breakdown

U.S. COMMERCIAL FLEETS	NUMBER OF RESPONSES	
Industrial Manufacturing	58	
Consumer Manufacturing	43	
Drugs and Cosmetics	37	
Insurance	34	
Food and Beverage	23	
Banking/Financial	17	
Other	68	
Total U.S. Commerical Fleets		280
U.S. Government Fleets	50	
U.S. Public Utilities Fleets	27	77
TOTAL U.S. FLEETS RESPONDING		357
CANADIAN FLEETS		
Industrial Manufacturing	10	
Drugs and Cosmetics	9	
Consumer Manufacturing	7	
Food and Beverage	5	
Government	3	
Public Utility	3	
Insurance	2	
Other	10	
Total Canadian Fleets Responding		49
TOTAL SURVEY RESPONSE (TOTAL U.S. + TOTAL CANADA)		406

Almost all fleets in the survey (97.1 of U.S. commercial, 91.5 of U.S. government, 95.8 of U.S. public utilities and 89.1 of Canadian) sell cars as is. Likewise, 88.1 percent, 70.8 percent, 87.5 percent and 80.9 percent of these fleets, respectively, do not recondition their cars.

For a more detailed, industry-by-industry look at these statistics, see the charts on the following pages.

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FTC Announces Guidelines Enforcing Used Car Sales Regulations

The staff of the Federal Trade Commission has written compliance guidelines for the "Used Car Rule." The Rule (16 CFM Part 455) was promulgated November 19, 1984, and became effective May 9, 1985. The Rule's requirements apply to fleets which sell more than 5 used vehicles to individuals other than employees in a 12-month period. Fleet car sales through auctions which are open only to dealers are not covered by the rule; however, sales through public auctions are covered.

Under the Rule, fleets which sell more than 5 vehicles to consumers in a 12-month period must: (1) prepare and display a Buyers Guide on each vehicle offered for sale to a consumer; (2) include a special disclosure in the contract of sale; (3) identify the final warranty terms in the contract of sale; and (4) give the purchaser a copy of the Buyers Guide that includes the final warranty terms.

The Staff Compliance Guidelines include a number of illustrations of situations which might arise, with interpretations of how the Rule should be applied.

Copies of the Staff Compliance Guidelines are available from the FTC directly, or from Pat O'Connor, NAFA's Legislative Counsel, at (202) 223-6222.

NAFA's Used Car Marketing Survey Results *(Continued from page 9)*

Who is responsible for setting the price of vehicles sold to employees?

U.S. Commercial Fleets	Drugs & Cosmetics	Food & Beverage	Insurance	Manufacturing-Industrial	Manufacturing-Consumer	Banking/Financial	Other	TOTAL
Fleet Manager	74.1%	94.7%	76.7%	75.6%	80.5%	78.6%	65.4%	75.9%
Leasing Company	11.1%	0	13.3%	13.3%	14.6%	7.1%	19.2%	13.2%
Other	14.8%	5.3%	3.3%	11.1%	4.9%	14.3%	15.4%	10.1%
Car Dealer	0	0	6.7%	0	0	0	0	0.8%
U.S. Government Fleets								**N.A.**
U.S. Public Utilities Fleets								
Fleet Manager								64.3%
Other								28.6%
Leasing Company								7.1%
Canadian Fleets								
Fleet Manager								77.3%
Other								15.9%
Leasing Company								6.8%

Guidelines used for price determination of vehicles sold to employees:

U.S. Commercial Fleets	Drugs & Cosmetics	Food & Beverage	Insurance	Manufacturing-Industrial	Manufacturing-Consumer	Banking/Financial	Other	TOTAL
Automotive Market Report	35.7%	50.0%	61.5%	56.4%	45.5%	46.2%	32.7%	46.3%
Book Value	35.7%	15.0%	11.5%	32.7%	21.2%	15.4%	28.8%	25.6%
Leasing Company Price	39.3%	15.0%	7.7%	16.4%	18.2%	15.4%	23.1%	19.8%
NADA Wholesale Prices	7.1%	15.0%	34.6%	20.0%	12.1%	30.8%	17.3%	18.5%
Black Book Value	17.9%	25.0%	15.4%	10.9%	15.2%	7.7%	21.2%	16.3%
Wholesale Value	10.7%	20.0%	15.4%	12.7%	21.2%	38.5%	7.7%	15.0%
Other	14.3%	20.0%	11.5%	9.1%	9.1%	15.4%	11.5%	11.9%
Market Value	7.1%	5.0%	7.7%	10.9%	6.1%	0	17.3%	9.7%
U.S. Government Fleets								**N.A.**
U.S. Public Utilities Fleets								
NADA Wholesale Prices								50.0%
Wholesale Value								16.7%
Other								16.7%
Automotive Market Report								8.3%
Black Book Value								8.3%
Book Value								8.3%
Leasing Company Price								8.3%
Market Value								8.3%
Canadian Fleets								
Black Book Value								57.1%
Book Value								35.7%
Wholesale Value								19.0%
Leasing Company Price								16.7%
Market Value								11.9%
Other								11.9%

Note: Percentages do not equal 100% since many respondents use more than one guideline.

(Continued on page 14)

1986-1987 Used Car Marketing

Fleets Responding

	1986	1987	+/-
U.S. Commercial Fleets	221	280	+59
U.S. Government Fleets	44	50	+6
U.S. Public Utilities Fleets	14	27	+13
Total U.S. Fleets	279	357	+78
Canadian Fleets	44	49	+5
Total Respondents	323	406	+83

Total Vehicles

Company-Owned			
U.S. Commercial Fleets	65,749	54,476	-11,273
U.S. Government Fleets	60,788	30,126	-30,662
U.S. Public Utilities Fleets	28,326	13,183	-15,143
Total U.S. Respondents	154,863	97,785	-57,078
Canadian Fleets	7,252	4,478	-2,774
Total Company-Owned Vehicles	162,115	102,263	-59,852
Leased			
U.S. Commercial Fleets	108,462	91,748	-16,714
U.S. Government Fleets	232	152	-80
U.S. Public Utilities Fleets	952	1,216	+264
Total U.S. Respondents	109,646	93,116	-16,530
Canadian Fleets	6,074	9,560	+3,864
Total Leased Vehicles	115,720	102,676	-13,044
Total Vehicles			
U.S. Commercial Fleets	174,211	146,224	-27,987
U.S. Government Fleets	61,020	30,278	-30,742
U.S. Public Utilities Fleets	29,278	14,399	-14,879
Total U.S. Respondents	264,509	190,901	-73,608
Canadian Fleets	13,326	14,038	+712
Total Vehicles in Fleets	277,835	204,939	-72,896

Average Age of Vehicles Sold

Months			
U.S. Commercial Fleets	30.2	31	+.8
U.S. Government Fleets	63.9	55	-8.9
U.S. Public Utilities Fleets	66.1	61	-5.1
Canadian Fleets	32.2	32	-.2
Miles			
U.S. Commercial Fleets	61,029	64,356	+3,327
U.S. Government Fleets	91,679	87,231	-4,448
U.S. Public Utilities Fleets	78,550	81,362	+2,812
Canadian Fleets	78,460 km	94,478 km	+16,018

Survey Results Comparison

Number of Model Year Cars Sold

	1986	1987	+/-
U.S. Commercial Fleets			
1983 Model Year	19,960	12,460	-7,500
1984 Model Year	7,677	23,404	+15,727
1985 Model Year	1,535	11,716	+10,181
1986 Model Year	NA	4,837	+4,837
U.S. Government Fleets			
1983 Model Year	1,381	1,486	+105
1984 Model Year	0	679	+679
1985 Model Year	0	123	+123
1986 Model Year	NA	12	+12
U.S. Public Utilities Fleets			
1983 Model Year	77	326	+249
1984 Model Year	39	207	+168
1985 Model Year	0	86	+86
1986 Model Year	NA	33	+33
Canadian Fleets			
1983 Model Year	1,090	863	-227
1984 Model Year	160	1,430	+1,270
1985 Model Year	64	437	+373
1986 Model Year	NA	66	+66

Selling Methods
Number of Cars Sold in Each Category

U.S. Commercial Fleets			
Wholesaler/Auto Auction	27,145	26,367	-788
Employee	14,162	15,023	+861
Used Car Dealer	1,773	3,026	+1,253
New Car Dealer (Trade-In)	3,573	3,250	-323
Salvage/Other	NA	3,743	+3,473
U.S. Government Fleets			
Wholesaler/Auto Auction	7,653	3,291	-4,362
Employee	0	21	+21
Used Car Dealer	99	25	-74
New Car Dealer (Trade-In)	291	80	-211
Salvage/Other	NA	84	+84
U.S. Public Utilities Fleets			
Wholesaler/Auto Auction	3,444	1,803	-1,641
Employee	348	438	+90
Used Car Dealer	39	399	+360
New Car Dealer (Trade-In)	0	26	+26
Salvage/Other	NA	84	+84
Canadian Fleets			
Wholesaler/Auto Auction	1,410	1,557	+147
Employee	930	1,421	+491
Used Car Dealer	389	43	-346
New Car Dealer (Trade-In)	32	213	+181
Salvage/Other	NA	196	+196

 (Continued from page 15)

Average age of vehicles (in months) sold in 1986:

U.S. Commercial Fleets	Drugs & Cosmetics	Food & Beverage	Insurance	Manufacturing-Industrial	Manufacturing-Consumer	Banking/Financial	Other	TOTAL
Minimum Age Given: 12 mos. Maximum Age Given: 85 mos.	29	27	30	29	27	37	38	31 mos.
U.S. Government Fleets								**55 mos.**
U.S. Public Utilities Fleets								**61 mos.**
Canadian Fleets								**32 mos.**

Average mileage of vehicles sold in 1986 (per vehicle):

U.S. Commercial Fleets	Drugs & Cosmetics	Food & Beverage	Insurance	Manufacturing-Industrial	Manufacturing-Consumer	Banking/Financial	Other	TOTAL
Minimum Mileage Given: 24,000 Maximum Mileage Given: 150,000	62,586	63,609	56,849	62,261	63,852	56,350	73,436	64,356
U.S. Government Fleets								**87,231**
U.S. Public Utilities Fleets								**81,362**
Canadian Fleets								**94,478 km**

Are you planning any major changes in the length of time your cars are kept in service and/or the number of miles they are driven?

U.S. Commercial Fleets	Drugs & Cosmetics	Food & Beverage	Insurance	Manufacturing-Industrial	Manufacturing-Consumer	Banking/Financial	Other	TOTAL
Yes	17.1%	8.7%	27.3%	19.3%	19.0%	25.0%	21.5%	19.9%
No	82.9%	91.3%	72.7%	80.7%	81.0%	75.0%	78.5%	80.1%
U.S. Government Fleets								
Yes								25.0%
No								75.0%
U.S. Public Utilities Fleets								
Yes								14.8%
No								85.2%
Canadian Fleets								
Yes								18.8%
No								81.2%

Of those fleets saying they plan a major change in their fleets policies here is what the largest number of respondents in each group said those changes would be:

U.S. COMMERCIAL FLEETS: Seven fleets will decrease the number of months they keep cars by 12. Six fleets will increase the number of months they keep cars by 6. Six fleets will increase the number of months they keep cars by 12. Five fleets will decrease the amount of mileage they keep cars by 15,000. Four fleets will decrease the amount of mileage they keep cars by 10,000. Four fleets will increase the amount of mileage they keep cars by 10,000. **GOVERNMENT FLEETS:** 2 fleets will decrease the number of months they keep cars by 36. **PUBLIC UTILITY FLEETS:** 1 fleet will decrease the number of months they keep cars by 12 and 1 fleet will decrease the number of months they keep cars by 2. **CANADIAN FLEETS:** Three fleets will decrease the number of months they keep cars by 12. Six fleets will decrease the amount of mileage they keep cars anywhere from 8,000 km to 35,000 (6 single responses in this range). One fleet will increase mileage by 8,000 km. One fleet will increase mileage by 10,000 km.

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1986 Replacement Policies (Months/Miles)								
U.S. Commercial Fleets	**Drugs & Cosmetics**	**Food & Beverage**	**Insurance**	**Manufacturing-Industrial**	**Manufacturing-Consumer**	**Banking/Financial**	**Other**	**TOTAL**
Mean Months	35	33	36	34	42	31	41	37
Mean Miles	65,559	66,500	58,621	63,391	70,859	57,143	73,973	66,425
Median Months	36	36	36	36	36	36	36	36
Median Miles	60,000	60,000	60,000	60,000	55,000	57,500	60,000	60,000
U.S. Government Fleets								
Mean Months								58
Mean Miles								78,668
Median Months								60
Median Miles								80,000
U.S. Public Utilities Fleets								
Mean Months								67
Mean Miles								80,158
Median Months								60
Median Miles								75,000
Canadian Fleets								
Mean Months								36
Mean Kilometers								103,714
Median Months								36
Median Kilometers								96,000

1987 Replacement Policies (Months/Miles)								
U.S. Commercial Fleets	**Drugs & Cosmetics**	**Food & Beverage**	**Insurance**	**Manufacturing-Industrial**	**Manufacturing-Consumer**	**Banking/Financial**	**Other**	**TOTAL**
Mean Months	35	32	37	50	42	32	41	40
Mean Miles	62,500	64,895	58,571	66,568	63,288	62,000	74,766	65,808
Median Months	36	36	36	36	36	36	36	36
Median Miles	55,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
U.S. Government Fleets								
Mean Months								58
Mean Miles								77,820
Median Months								60
Median Miles								80,000
U.S. Public Utilities Fleets								
Mean Months								65
Mean Miles								80,176
Median Months								66
Median Miles								75,000
Canadian Fleets								
Mean Months								36
Mean Kilometers								94,463
Median Months								36
Median Kilometers								90,000

Note: The mean is computed by adding all responses and dividing that sum by the total number of responses. The median is that number which, when the numbers are placed in order from lowest to highest, has 50 percent of responses above and below it.

1988 Replacement Policies (Months/Miles)

U.S. Commercial Fleets	Drugs & Cosmetics	Food & Beverage	Insurance	Manufacturing-Industrial	Manufacturing-Consumer	Banking/Financial	Other	TOTAL
Mean Months	35	32	37	51	64	35	42	45
Mean Miles	61,321	63,235	59,074	64,474	63,250	68,333	71,468	64,740
Median Months	36	36	36	36	36	36	36	36
Median Miles	55,000	55,000	60,000	60,000	60,000	57,500	60,000	60,000
U.S. Government Fleets								
Mean Months								49
Mean Miles								70,793
Median Months								57
Median Miles								70,000
U.S. Public Utilities Fleets								
Mean Months								100
Mean Miles								79,867
Median Months								60
Median Miles								75,000
Canadian Fleets								
Mean Months								35
Mean Kilometers								92,303
Median Months								36
Median Kilometers								90,000

Do you recondition your cars?

U.S. Commercial Fleets	Drugs & Cosmetics	Food & Beverage	Insurance	Manufacturing-Industrial	Manufacturing-Consumer	Banking/Financial	Other	TOTAL
Yes	8.6%	8.7%	9.1%	10.7%	12.5%	13.3%	16.7%	11.9%
No	91.4%	91.3%	90.9%	89.3%	87.5%	86.7%	83.3%	88.1%
U.S. Government Fleets								
Yes								29.2%
No								70.8%
U.S. Public Utilities Fleets								
Yes								12.5%
No								87.5%
Canadian Fleets								
Yes								19.1%
No								80.9%

Do you sell your cars as is?

U.S. Commercial Fleets	Drugs & Cosmetics	Food & Beverage	Insurance	Manufacturing-Industrial	Manufacturing-Consumer	Banking/Financial	Other	TOTAL
Yes	100.0%	95.7%	100.0%	94.6%	92.7%	100.0%	98.5%	97.1%
No	0	4.3%	0	5.4%	7.3%	0	1.5%	2.9%
U.S. Government Fleets								
Yes								91.5%
No								8.5%
U.S. Public Utilities Fleets								
Yes								95.8%
No								4.2%
Canadian Fleets								
Yes								89.1%
No								10.9%